



**MINUTES
PUBLIC MEETING
FRIDAY, MAY 25, 2007
9:00 AM
SENATE ROOM 431**

I. Call to Order/Roll Call

The meeting was called to order by Auditor Tim Berry at 9:00 AM.

Tim Berry, Ryan Kitchell, Richard Mourdock, Judy Rhodes, and Tony Armstrong were present.

II. Reading of the Minutes

Tim Berry moved to approve the minutes as amended for the February 16, 2007 Public Meeting. Richard Mourdock seconded the motion and the minutes were approved unanimously.

III. Administrators Report

Kirke Willing spoke concerning the teachers at the Soldiers and Sailor's Children's Home. These teachers are to receive the same pay and compensations as the largest school corporation located in the same county. This would be Rush County Schools. The Soldiers and Sailor's Children's Home teachers receive the same pay as the Rush County Schools teachers, however, since 2001 the Rush County School teachers have also received and added retirement benefit in a 403(b) plan that the school corporation has been paying into on the teachers behalf. This has not been the case for the teachers at the Soldiers and Sailors Children's Home so they sued to receive this benefit as well. Since the Soldier's and Sailor's Children's Home is a part of the Indiana State Department of Health they are then responsible to provide this benefit for the Soldier's and Sailor's Children's Home teachers. The Indiana Deferred Compensation 401(a) Plan is the logical choice for the ISDH to use in providing this retirement benefit that will match what the Rush County School Teachers are receiving in there 403(b). The courts are still trying to determine the actual dollar amounts and dates but as soon as those are made available we will provide that information to the Committee in the Plan Document amendment. Mike Paton will touch on this further in new business when he goes over some of the plan document amendments.

IV. Investment Management Consultant's Report

Investment Performance Report:

Janet Sweet of Capital Cities, LLC gave a first quarter investment performance report. Three funds were specifically brought to attention of the Board.

Domini Social Equity: There was a change in strategy, management and price. The Fund changed to an active fund strategy which should provide enhanced performance. Wellington Management became the subadvisor of the Fund and replaced the previous six-person committee. Fees were increased 25 basis points. Capital Cities will continue to monitor for performance under the new strategy and management.

AllianceBernstein Growth & Income: The Fund continues to experience short and long term under performance. The Fund's style has been out of favor due to its large cap relative value strategy that focuses on high quality stocks. However, the Fund beat the index by 11 basis points and ranked at the 24th percentile versus its peers. Capital Cities recommends keeping them on the Watchlist and will closely monitor performance.

Wells Fargo Advantage Capital Growth: The Fund had a very strong first quarter and ranked at the 10th percentile. Capital Cities will continue to monitor the Fund's performance with new Co-Portfolio Managers.

Joe Bill Wiley of Capital Cities, LLC reported that he is anticipating the departure of the current Delaware Investment team to Logan Circle Partners to occur soon. Delaware has hired 19 new people to replace the outgoing fixed income team. However, Ryan Brist is still managing the product at Delaware representing 45% of the Stable Value Fund. It was discussed by the Board as to what course of action should be taken or if any. Treasurer Mourdock moved to start a survey of the marketplace for appropriate alternatives. Tony Armstrong seconded the motion and it was approved unanimously.

Janet spoke on the Indiana Stable Value Fund. The Fund did well against the benchmark for the quarter. Capital Cities passed out a manager alert regarding the impending personnel and institutional business transaction between Delaware Investments and Logan Circle Partners. This situation warrants immediate Watchlisting. Capital Cities will engage in weekly communications to discuss details of the transaction, as well as current and expected logistics of the transaction.

Default Investment Presentation:

Janet Sweet presented a Time-Based Portfolio Study related to default investment options. After a lengthy discussion comparing Risk-Based Options vs. Time - Based Options, Ryan Kitchell moved to approve the inclusion of time-based options and mapping the existing risk portfolios based on age at the time the roll out is affective. The default option will be the five funds of Glide Path Option #2 with an additional fund that is five years earlier than the closest fund time wise (not counting the income fund) (at this time, that sixth fund would be the 2010 fund). The default allocation closest to the participant age will be selected. Tony Armstrong seconded, the motion carried unanimously.

V. New/Old Business

Mike Paton, a Partner with Barnes and Thornburg, presented two amendments to the Deferred Compensation Committee for approval (see below): (1) Amendment Two to the State of Indiana Deferred Compensation Plan and (2) Amendment Two to the State of Indiana Deferred Compensation Matching Plan.

The amendments effectively do three things. One will facilitate the new automatic enrollment legislation that is effective for employees hired after June 30, 2007. The second will permit a special contribution to the Deferred Compensation Matching Plan on behalf of certain teachers employed by the State Department of Health. This allows the State to comply with the Court of Appeals' ruling in *Higgins v. State of Indiana*. And the third addresses certain miscellaneous administrative issues.

Richard Mourdock moved to approve the two amendments pending the addition of the Contribution Amounts. Judy Rhodes seconded the motion. The motion carried unanimously.

AMENDMENT TWO TO THE

STATE OF INDIANA DEFERRED

COMPENSATION PLAN

WHEREAS, the State of Indiana Deferred Compensation Plan (“Plan”) was most recently amended and restated effective January 1, 2002;

WHEREAS, the Deferred Compensation Committee, as Trustees of the Plan (“Trustees”), and the Administrator reserved the right to amend the Plan pursuant to Article XVII of the Plan; and

WHEREAS, the Trustees and the Administrator have determined that it is necessary and appropriate to amend the Plan in certain respects;

NOW, THEREFORE, the Plan is hereby amended as follows, effective July 1, 2007 unless otherwise specified herein:

1. Section 1.01 of the Plan is amended and restated in its entirety to provide as follows:

1.01 “Accounts” means each Participant’s Regular Account, each Participant’s Rollover Account and the Revenue Sharing and Expense Account.

2. Section 1.04 of the Plan is amended and restated to provide in its entirety as follows:

1.04 “Applicable Form” means the appropriate form as designated and furnished by the Administrator to make an election or provide a notice as required by the Plan. If a written election or consent is not specifically required by the Code or the Statute, the Administrator may prescribe a verbal, electronic or telephonic instruction in lieu of or in addition to a written form. In addition, to the extent permitted by the Code and the Statute, with respect to any individual who first becomes an Employee of the State of Indiana after June 30, 2007, the Administrator may deem an employee or a Participant, even in the absence of affirmative action by the Employee or Participant, to have completed and returned an Applicable Form.

3. Section 1.16 of the Plan is amended and restated to provide in its entirety as follows:

1.16 “Participant Agreement” means the Applicable Form completed (or deemed to have been completed) by an Employee to participate in the Plan.

4. A new Section 1.25 is added to the Plan to provide as follows:

1.25 “Revenue Sharing and Expense Account” means the account maintained under this Plan by the Administrator to which revenue from the contract with the Service Manager shall be credited and from which Plan expenses may be paid.

5. A new Section 1.26 is added to the Plan to provide as follows:

1.26 “Statute” means the Indiana Code.

6. Section 2.02 of the Plan is amended and restated in its entirety to provide as follows:

2.02 “Participation Rules.” Upon signing a Participant Agreement, an Employee elects to participate in this Plan and agrees to have Compensation for each pay period deferred by the amount specified in the Participation Agreement. The dollar amount deferred must equal at least the minimum deferral per pay period as established from time to time by the Administrator. In addition, in accordance with rules and procedures established and uniformly applied by the Administrator and in compliance with such requirements as may be imposed by the Code or the Statute, an Employee of the State of Indiana who is first employed after June 30, 2007 may be deemed to have completed and signed a Participation Agreement as of a date specified by the Statute (or, to the extent not specified by Statute, as specified by the Administrator) and agreed to have Compensation for each pay period deferred by an amount specified by the Statute (or, to the extent not specified by the Statute, as specified by the Administrator).

7. Section 8.03 of the Plan is amended and restated to provide in its entirety as follows:

8.03 “Investment Default.” In the event that a Participant does not have a valid investment direction on file, any amount in that Participant’s Accounts shall be invested in such default option or options as determined from time to time by the Trustees. In such event, the Participant shall be deemed to have directed that option (or those options) for investment of his or her Account. The Trustees intend to establish default options based upon various factors, including but not limited to, market risk, stability, rate of return and the Participant’s anticipated retirement date.

8. New paragraphs (6) and (7) shall be added to Section 15.02(a) to provide in its entirety as follows:

(6) to pay or authorize payment of reasonable and necessary expenses of the Plan and Trust and to the extent not inconsistent with the Statute to allocate those expenses among Participant Accounts or to the Revenue Sharing and Expense Account.

(7) to engage a third party to audit the books, records and transactions of the Plan and Trust, which shall no less than annually include an audit of the Revenue Sharing and Expense Account.

9. Section 17.01 of the Plan is amended by adding to the end thereof a new subsection (c) to provide in its entirety as follows:

(c) To reflect the duties and responsibilities assigned to it under the Statute, the Administrator shall have the authority to amend the Plan and the form of the Adoption Agreement (i) to comply with the requirements of the Statute, or (ii) as necessary or appropriate to facilitate the administration of the Plan.

10. Section 17.02 of the Plan is amended and restated to provide in its entirety as follows:

17.02 Amendment for Eligible Plan Status. It is the intent that the Plan shall be and remain an eligible plan under the provisions of Code Section 457 and that the Trust be exempt from tax under Code Section 457. The Administrator may submit the Plan from time to time for approval under the Code and all expenses incident thereto shall be borne by the State or, to the extent permitted by the Statute and Code, by the Plan. The Administrator may make any modifications, alterations, or amendments to the Plan or the Adoption Agreement necessary to obtain or retain approval of the Secretary of the Treasury or his delegate as may be necessary to establish and maintain the status of the Plan as an eligible plan under the Code or other federal legislation, as now in effect or hereafter enacted, and the regulations issued thereunder. Any modification, alteration, or amendment of the Plan or the Adoption Agreement, made in accordance with this Section, may be made retroactively, if necessary or appropriate.

IN WITNESS WHEREOF, the undersigned have executed this Plan on the dates indicated:

**AMENDMENT TWO TO THE
STATE OF INDIANA DEFERRED
COMPENSATION MATCHING PLAN**

WHEREAS, the State of Indiana Deferred Compensation Matching Plan (“Plan”) was originally effective October 27, 1999;

WHEREAS, the Deferred Compensation Committee, as Trustees of the Plan (“Trustees”), and the Administrator reserved the right to amend the Plan pursuant to Article XVIII of the Plan;

WHEREAS, the Plan has been amended from time to time, and was most recently restated effective May 9, 2002; and

WHEREAS, the Trustees and the Administrator wish to amend the Plan to facilitate additional employer contributions as authorized by IC 5-10-1.1-1.5(a);

NOW, THEREFORE, the Plan is hereby amended as follows effective July 1, 2007:

11. Section 1.01 of the Plan is amended and restated in its entirety to provide as follows:

1.01 “Accounts” means each Participant’s Regular Account, each Participant’s Rollover Account and the Revenue Sharing and Expense Account.

12. A new Section 1.24 is added to the Plan to provide as follows:

1.24 “Revenue Sharing and Expense Account” means the account maintained under this Plan by the Administrator to which revenue from the contract with the Service Manager shall be credited and from which Plan expenses may be paid.

13. A new Section 1.25 is added to the Plan to provide as follows:

1.25 “Statute” means the Indiana Code.

14. Section 4.02 of the Plan is amended and restated to provide in its entirety as follows:

4.02 “Contributions by State-Section 3.01 Employers.” Contributions by those Employers identified in Section 3.01 shall be made in accordance with the provisions of this Section 4.02 and the other applicable provisions of this Article, subject to the limitations under Article V.

(a) **Matching Contributions.** For each Plan Year, the Budget Agency shall determine the amount available for contribution, which may be adjusted throughout the Plan Year. Given that amount, the State shall determine the amount of the match, which may be all or a specified portion of a Participant’s contribution to the Deferred Compensation Plan. The State may set the matching Employer Contribution for each Participant as a percentage

of their contribution or a stated dollar amount per payroll period. The Administrator shall adjust the match to a comparable match, as it deems appropriate, for Participants not on a biweekly payroll schedule.

- (b) **Non-Matching Contributions.** To the extent authorized by IC 5-10-1.1-1.5(a), the State may make non-matching contributions, which may be a fixed amount or a specified portion of a Participant's Compensation. Any such non-matching contributions may be made only as set forth in Exhibit A to this Plan, which shall specify: (1) the Employer responsible for making such non-matching contributions, (2) the class or category of Employees eligible for such non-matching contributions and any conditions that must be satisfied to entitle the Employee to such contributions, (3) the statutory provision in the Indiana Code authorizing or requiring such non-matching contributions, and (4) the amount of, and method of making, such non-matching contributions. Exhibit A may be amended from time to time by the Administrator.

15. Section 9.03 of the Plan is amended and restated to provide in its entirety as follows:

9.03 “Investment Default.” In the event that a Participant does not have a valid investment direction on file for any portion of the amount in that Participant's Accounts, that portion of the Accounts shall be invested in such default option or options as determined from time to time by the Trustees. In such event, the Participant shall be deemed to have directed that option (or those options) for investment of his or her Account. The Trustees intend to establish default options based upon various factors, including but not limited to, market risk, stability, rate of return and the Participant's anticipated retirement date.

16. New paragraphs (6) and (7) shall be added to Section 16.02(a) to provide in its entirety as follows:

(6) to pay or authorize payment of reasonable and necessary expenses of the Plan and Trust and to the extent not inconsistent with the Statute to allocate those expenses among Participant Accounts or to the Revenue Sharing and Expense Account.

(7) to engage a third party to audit the books, records and transactions of the Plan and Trust, which shall no less than annually include an audit of the Revenue Sharing and Expense Account.

17. Section 18.01 of the Plan is amended by adding to the end thereof a new subsection (d) to provide in its entirety as follows:

(d) To reflect the duties and responsibilities assigned to it under the Statute, the Administrator shall have the authority to amend the Plan and the form of the Adoption Agreement (i) to comply with the requirements of the Statute, or (ii) as necessary or appropriate to facilitate the administration of the Plan.

18. Section 18.02 of the Plan is amended and restated to provide in its entirety as follows:

18.02 Amendment for Qualification of Plan. It is the intent of the State that the Plan shall be and remain qualified for tax purposes under the Code. The Administrator may submit the Plan from time to time for approval under the Code and all expenses incident thereto shall be borne by the State or, to the extent permitted by the Statute and Code, by the Plan. The Administrator may make any modifications, alterations, or amendments to the Plan or the form of Adoption Agreement necessary to obtain or retain approval of the Secretary of the Treasury or his delegate as may be necessary to establish and maintain the status of the Plan as qualified under the provisions of the Code or other federal legislation, as now in effect or hereafter enacted, and the regulations issued thereunder. Any modification, alteration, or amendment of the Plan, made in accordance with this Section, may be made retroactively, if necessary or appropriate. A certified copy of the amendment shall be delivered to the Trustees, and the Plan shall be amended in the manner and effective as of the date set forth in such amendment, and the Participating Employers, Employees, Participants, beneficiaries, Trustees, Administrator and all others having interest in the Plan shall be bound thereby.

19. Exhibit A is added to the Plan to provide in its entirety as follows:

EXHIBIT A

ADDITIONAL STATE NON-MATCHING CONTRIBUTIONS

1. Name of Employer - State Department of Health
- Authorizing Statute - IC 16-19-6-7
- Eligible Employees - All teachers employed at the Indiana Soldiers' and Sailors' Children's Home [Revise or supplement as necessary]
- Contribution Amount - Initial contribution equal to \$_____, and ongoing contributions equal to \$_____ per calendar year
- Contribution Method - Initial contribution to be made as of [date] and ongoing contributions to be made [monthly, quarterly, annual].

IN WITNESS WHEREOF, the undersigned have executed this Plan on the dates indicated:

VI. Adjournment

There being no further business before the Committee the meeting was adjourned at 10:40am.